



Getting more from the internal audit function

Board Leadership Center (India)

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The relationship between the audit committee and internal audit is fundamental to effective governance. As organisations grow more complex and risks become increasingly interconnected, boards need assurance that extends beyond individual controls to the broader effectiveness of governance, risk management and control processes, including the operational vulnerabilities that may affect organisational resilience.

The Institute of Internal Auditors' 2026 Statement of Position on the Three Lines Model reflects this evolution by emphasising how assurance and advice can be coordinated across the organisation to support effective governance. In this context, internal audit's role extends beyond traditional assurance activities to providing a connected, enterprise-wide perspective on governance, risk management, compliance and control, while maintaining the independence and objectivity that underpin its credibility.

The question, therefore, is not simply what internal audit does, but whether it is delivering greater value to the audit committee, board and senior leadership as expectations, risks and the organisation itself evolve.

Building the right foundations

To fulfil this role, internal audit needs the right foundations: a clearly articulated purpose, a well-defined mandate, functional independence, unrestricted access, appropriate reporting arrangements and sufficient human and technological capability. The audit committee plays a critical role in maintaining these foundations through oversight of the audit charter, the Chief Internal Auditor and the function's operating model.

Where internal audit is delivered through co-sourced or outsourced arrangements, the committee should ensure that any potential conflicts of interest are appropriately managed and that the provider's independence remains intact. The committee should also understand how third-party dependencies, access to information, data residency and business continuity considerations are governed.

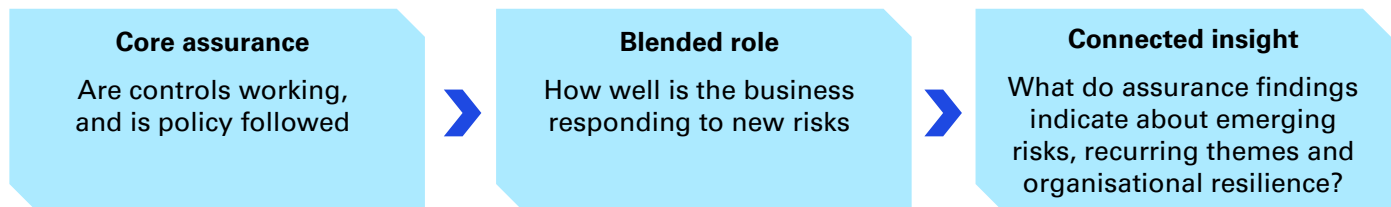
With these foundations in place, the focus shifts to whether internal audit is directing its efforts towards the risks and issues that matter most.



Keeping internal audit focused on what matters

An effective internal audit plan starts with a clear picture of the organisation's risks — its businesses, processes and principal risks, often captured through the audit universe. Progressive organisations often take a three-to-five-year view of assurance priorities, ensuring systematic coverage of the audit universe while retaining flexibility to respond to emerging risks. Developed alongside the risk management framework, this helps internal audit complement, rather than duplicate, the work of risk, compliance and the statutory auditor.

Assurance over governance, risk management, controls and compliance remains the core role. But the function's contribution can extend from core assurance to advisory support and a more connected view of organisational risk:



The committee's role is to maintain the right balance, ensuring advisory work strengthens the organisation's understanding of risk without compromising internal audit's independence.

From assurance activity to organisational insight

Internal audit is not standing still. Expectations continue to evolve as organisations become more complex, technology-driven and exposed to increasingly interconnected risks. The shift can be viewed across several dimensions:

Dimension	Earlier	Now	Future
Purpose	Compliance-driven control testing	Risk-based assurance across governance, risk and controls	Trusted independent advisor providing assurance and insight on the effectiveness of enterprise risk management
Assurance model	Periodic, cyclical audits	Risk-based annual/multi-year plan with periodic reviews	Continuous and data-driven assurance, with increasingly dynamic and forward-looking coverage
Technology and data	Manual testing, sample-based checks	Data analytics, automation, dashboards	Advanced analytics, Artificial Intelligence (AI)-assisted testing and continuous monitoring
Risk coverage	Financial and operational controls	Financial, operational, cyber, culture, conduct, ESG and third-party risk	Connected enterprise risk including AI governance, culture, geopolitical developments, climate and third-party ecosystems
Board relationship	Reporting function, retrospective updates	Trusted advisor, proactive dialogue, private sessions	Providing a connected view of assurance insights across the organisation.
Brand and reputation	Limited consideration of reputational implications	Assessment of culture, conduct and customer-related risks that could affect reputation	Continuous insight into factors shaping stakeholder trust, brand resilience and alignment between organisational commitments and stakeholder experience
Talent and delivery	Generalist auditors, in-house	Specialist skills, co-sourcing for niche risk	Multi-disciplinary teams blending audit, data science and domain expertise.

As organisations develop Environmental, Social, and Governance (ESG), risk management, compliance, cyber security and other oversight functions alongside internal and external audit, audit committees increasingly need a consolidated view of assurance coverage. Internal audit is well positioned to connect assurance insights, identify gaps and overlaps in assurance coverage, and provide a systemwide perspective on governance, risk management, compliance and control.

For the audit committee, the question is whether internal audit is evolving at the pace of the organisation it serves, including the mandate, independence, skills, technology and access needed to provide relevant assurance and insight as risks become more interconnected and less predictable. For internal audit heads, the challenge is to assess where the function stands today and what capabilities could be needed to remain relevant as expectations continue to evolve.

What should the board expect from internal audit?

Independent perspective

Objective assurance and constructive challenge, enabled by functional independence and direct access to the audit committee.

Focus on what matters

Attention on risks and issues that could materially affect strategy, resilience, performance or reputation.

Risk-aligned assurance

A risk-based audit plan that evolves with the organisation, incorporating emerging risks and insights from across the assurance landscape.

Systemwide perspective

A connected view of risks, controls and assurance across the organisation, helping the committee identify recurring findings, root causes and systemic issues not visible through individual audits.

Early visibility

Timely escalation of material gaps in access, capability, resources or control effectiveness before they affect the function's ability to provide effective assurance.

Forward-looking insight

Effective use of data, analytics and AI to strengthen coverage, identify patterns and provide perspective on what may matter next.

Maintaining an effective working relationship

Agreeing a reporting rhythm

Progress against the plan, significant findings, management responses and overdue actions should be reported regularly. Periodic updates on the function's capability development, including people, processes and technology, can help the committee assess whether internal audit remains fit for purpose.

Tracking and validating remediation

Regular reporting on overdue actions, recurring findings and remediation progress, with actions closed only after internal audit has assessed that the agreed response adequately addresses the underlying risk.

Meeting privately with the Chief Internal Auditor

At least annually, and more frequently where appropriate, without management present, providing an opportunity to surface concerns relating to resourcing, access, independence or management pressure that might not otherwise come to light.

Access and authority

Periodic confirmation that internal audit has full access to the people, records and systems it needs, with any resistance from management brought to the committee's attention.

Coordinating with the statutory auditor

The audit committee is well placed to ensure that internal audit and the statutory auditor coordinate their activities effectively, sharing insights and relying on each other's work where appropriate. This helps reduce information asymmetry across assurance providers, provides a more complete view of organisational risk, and avoids unnecessary duplication and gaps in assurance coverage.

Taken together, these practices help the audit committee assess whether its relationship with internal audit is enabling independent, relevant and timely assurance.

Measuring the value of internal audit

The audit committee's assessment of internal audit should extend beyond completion of the audit plan. Its value is reflected in the relevance of its insights, the quality of its findings, the timeliness of its reporting and its contribution to strengthening governance, risk management and controls across the organisation.

No single measure provides a complete picture. A balanced assessment should combine operational performance with stakeholder feedback across a range of dimensions:

Relationship and trust

Professionalism, quality of communication and the strength of internal audit's relationships across the organisation.

Responsiveness

How effectively internal audit responds to changing risks and stakeholder needs, identifies recurring issues and supports timely, sustainable remediation.

Capability and innovation

The skills, use of data analytics and AI-enabled tools, and the breadth of coverage these capabilities enable.

Delivery and process

Performance against operational metrics, including audit plan completion, budget, audit cycle times, reporting timeliness, action closure and quality of execution, together with demonstrated improvements in processes, controls and risk management.

The assessment should also draw on structured feedback from management and business leaders, input from the statutory auditor, the Chief Internal Auditor's performance against the Global Internal Audit Standards, and the outcomes of independent external quality assessments or relevant peer reviews

The real measure of internal audit is not the volume of audits completed, but the quality of assurance, insight and organisational improvement it helps enable.

Supporting internal audit in a digital and AI-enabled environment

AI is changing both what internal audit assesses and how it performs its work. This creates two responsibilities for the audit committee: ensuring there is appropriate assurance over AI-related risks and understanding how internal audit is using data, analytics and AI-enabled tools to enhance its coverage and effectiveness.

As internal audit adopts these capabilities, the committee should understand not only the benefits achieved but also the controls governing their use, including model validation, human oversight, data protection and quality assurance over significant outputs.

New risks to address

Data governance, privacy, model risk, bias, cyber security, regulatory compliance



New tools to apply

Data analytics, automation and AI-assisted testing — more coverage, without more resource



An evolving role

From periodic testing towards continuous assurance, while holding on to independence

Given how quickly this space is moving, it's worth the committee making internal audit's use of technology a regular agenda item rather than something that only comes up occasionally.

Questions for the audit committee to consider

- Is internal audit's mandate still aligned with the organisation's strategy, risk profile and operating model?
- Does internal audit have the independence, access, authority and resources needed to provide objective challenge?
- Does the audit plan reflect the risks that matter today, including emerging risks, or is it largely carrying forward last year's priorities?
- Does internal audit provide the committee with a connected view of risk and assurance, rather than simply reporting individual findings?
- Is the function identifying recurring themes and root causes, or are similar issues continuing to resurface?
- Is internal audit keeping pace with changes in technology, including data analytics and AI, both as sources of risk and as tools for assurance?
- Does the committee have sufficient private dialogue with the Chief Internal Auditor to surface concerns that may not emerge through formal reporting?

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